

Message Text

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64

ACTION TRSE-00

INFO OCT-01 EA-06 NEA-09 ISO-00 SP-02 AID-05 EB-07 NSC-05

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FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

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FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 2613

INFO AMEMBASSY MANILA

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E.O. 11652 N/A

TAGS: OVIP (SIMON, WILLIAM E.), EAID, ECON, CE

SUBJ: TREASURY SECRETARY SIMON'S VISIT: MEETING WITH GSL OFFICIALS

MANILA PASS SECRETARY SIMON'S PARTY

1. SUMMARY: FOLLOWING HIS MEETING WITH PRIME MINISTER, SECRETARY SIMON HEADED U.S. OFFICIAL GROUP IN DISCUSSION WITH GSO GROUP LED BY ACTING FINANCE MINISTER BERNARD SOYSA. AGENDA WAS GENERAL AND INFORMAL. MAIN TOPICS WERE AMERICAN AND WORLD ECONOMY AND SRI LANKA'S ACUTE ECONOMIC PROBLEMS, STRESSING EXTERNAL SECTOR. GSL SIDE MADE STRONG GENERAL REQUEST FOR CONTINUED AMERICAN ECONOMIC ASSISTANCE. THEY ALSO EXPRESSED STRONG INTEREST IN BENEFITS FROM 1974 TRADE ACT GSP. IN RESPONSE TO U.S. URGING THAT GSL SYMPATHETICALLY STUDY TRUST FUND PROPOSAL, SOYSA SAID GSL AGREED IN PRINCIPLE. SECRETARY JOINED DISCUSSION AFTER MEETING BEGAN BECAUSE CONVERSATION WITH PRIME MINISTER (SEPTEMBER) WENT WELL BEYOND
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SCHEDULED TIME. END SUMMARY.

2. SECRETARY SIMON AND SENIOR MEMBERS OF HIS PARTY REVIEWD IMPROVING AMERICAN AND WORLD ECONOMIC SITUATION AND OUTLOOK. SECRETARY SAID WHEN U.S. ECONOMY SNEEZED, OTHER NATIONS CAUGHT COLD. SOYSA RESPONDED THAT SRI LANKA CAUGHT PNEUMONIA. AMERICAN SIDE POINTED OUT STABLIZING AMERICA PRICE LEVELS, LIKELIHOOD OF SOME REDUCTION IN CRUDE OIL PRICES, AND RECENT STRENGTHENING OF DOLLAR. SOYSA WAS SPECIFICALLY INTERESTED INCOMBINED EFFORT OF TAX REBATES AND HEAVY DEFICIT SPENDING ON SAVINGS AND INVESTMENT.

3. GSL SIDE REVIEWED REASONS FOR SRI LANKA'S DIFFICULT ECONOMIC CONDITIONS, ESPECIALLY IN EXTERNAL SECTOR WHERE CONTINUALLY DECLINING TERMS OF TRADE MAKE CAPITAL FORMATION VERY DIFFICULT. THEY SAID TERMS OF TRADE WOULD DROP FURTHER IN 1975 AFTER DRASTIC DETERIORATION IN 1974. THEY OUTLINED SITUATION OF SRI LANKA'S THREE PRIMARY EXPORTS: COCONUT PRICES HAVE COLLAPSED, RUBBER IS DOWN WHILE TEA PRICES ARE SUSTAINING. DRASTIC IMPACT OF WORLD ECONOMIC TRENDS OVER LAST 36 MONTHS MAKES GSL'S FIVE YEAR PLAN DEAD LETTER. PRESENT NEAR TERM OBJECTIVES ARE FOUR FOLD: 1) ACTIVELY PURSUE OFFSHORE OIL DRILLING PROGRAM, 2) CONSTRUCT UREA FERTILIZER PLANT (TO BE FINANCED BY CONSORTIUM OF CONCESSIONAL LEADERS), 3) CONTINUE PRODUCTION DRIVE TOWARD FOOD SELF-SUFFICIENCY 4) PROMOTE INVESTMENT IN INDUSTRIES UTILIZING LOCAL RAW MATERIALS.

4. CITING FOREGOING SITUATION, GSL SIDE EXPRESSED APPRECIATIONBWBAGMUBJ SMO
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AN#ASSISTANCE AND
APPEALED IN GENERAL TERMS FOR CONTINUING SIGNIFICANT SUPPORT.

5. GSL SIDE GAVE CONCISE, REALISTIC STATEMENT OF LIMITED OFFICIAL USE

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EXPECTATIONS OF TRADE BENEFITS FROM 1974 TRADE ACT GSP AND EXPRESSED STRONG INTEREST IN EXPANDED TRADE WITH UNITED STATES.

6. AMERICAN SIDE ASKED WHETHER GSL HAD CONSIDERED PROPOSED TRUST FUND IN ASSOCIATION WITH IMF. THEY URGED GSL TO GIVE PROPOSAL EXPEDITIOUS, SYMPATHETIC STUDY AND, IF POSSIBLE, GIVE EARLY MANIFESTATION OF

SUPPORT. RESPONSE WAS THAT GSL AGREED WITH CONCEPT
IN PRINCIPLE BUT IT NEEDED FURTHER DEFINITION.

7. GSL SIDE INQUIRED CONCERNING US CONGRESSIONAL
ATTITUDE REGARDING AID. SECRETARY SAID ADMINISTRATION
FACED DIFFICULT ANNUAL PROBLEM, CITING AS EXAMPLE OVERDUE
REFUNDING OF IDA. ON SUCH FUNDING, HE SAID CONGRESS WAS
NEGATIVELY INFLUENCED BY CURRENT EFFORT TO
RAISE INTERNATIONAL ORGANIZATION SALARY LEVELS. WITH NO
OUTSTANDING BILATERAL MATTERS AT ISSUE, MEETING WAS VERY
GENERAL BUT PROVIDED FRIENDLY OPPORTUNITY FOR USEFUL
EXCHANGE OF IDEAS.
VAN HOLLEN

NOTE BY OCT: #TEXT AS RECEIVED.

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